

Message Text

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ACTION ARA-14

INFO OCT-01 ISO-00 AID-05 CIAE-00 COME-00 EB-07 FRB-01
INR-07 NSAE-00 USIA-15 TRSE-00 XMB-04 OPIC-06
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R 141314Z JUN 77
FM AMEMBASSY BUENOS AIRES
TO SECSTATE WASHDC 0939

UNCLAS BUENOS AIRES 4410

E.O. 11652: N/A
TAGS: EFIN, AR
SUBJ: INFLATION IN MAY

REF: BA-3614

1. ACCORDING TO THE NEW INDEX, CONSUMER PRICES IN MAY ROSE 6.5 PERCENT, BRINGING THE TOTAL CPI RISE DURING THE PAST TWELVE MONTHS TO 137.5 PERCENT. THE MINISTRY OF ECONOMY HAS RELEASED THE BREAKDOWN BY EXPENDITURE CATEGORY ONLY FOR THE MONTH OF MAY. MEANWHILE, THE BREAKDOWN FOR APRIL AND THE DETAILED MOTHODOLOGY OF THE NEW INDEX ARE STILL UNKNOWN. MAY CPI INCREASE BY CATEGORY AS FOLLOWS: FOOD 6.5 PERCENT; CLOTHING 4.5; HOUSING, FUEL AND ELECTRICITY 15.9; HOUSEHOLD APPLIANCES AND OPERATION

5.4; MEDICAL CARE 0.3; TRANSPORTATION AND COMMUNICATION 2.9; RECREATION AND EDUCATION 8.6; MISCELLANOUS GOODS AND SERVICES 2.3.

2. THE WHOLESALE PRICE INDEX SHOWED AN INCREASE OF 6.1 PERCENT FOR MAY, 42 PERCENT FOR THE FIRST FIVE MONTHS AND 120.3 PERCENT FOR THE MAY 1976-MAY 1977 PERIOD. DURING MAY, AGRICULTURAL PRICES ROSE MORE RAPIDLY (9 PERCENT) THAN NON-AGRICULTURAL PRICES (3 PERCENT)

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AND LOCAL WHOLESALE PRICES AT A FASTER PACE (6.4 PERCENT) THAN WHOLESALE PRICES OF IMPORTEDITEMS (3.5. PERCENT).

3. COMMENT THE MAY INFLATION RESULTS WERE SLIGHTLY HIGHER THAN EXPECTED. THE GOVERNMENT HAS ANNOUNCED THAT ADJUSTMENTS FOR PUBLIC SERVICES WILL BE REDUCED FROM

THE PAST 15 PERCENT/MONTH TO 6 PERCENT PER MONTH - MEASURE
WHICH WILL HELP REDUCE INFLATIONARY PRESSURES. THERE IS
SOME CONCERN, HOWEVER, REGARDING THE IMPACT OF THE HALF
YEAR BONUS (AGUINALDO) IN JUN AND POSSIBLE NEW WAGE
INCREASES IN JUL. IN ADDITION, THE 120 PRICE TRUCE IS
SCHEDULED TO END JULY.

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Message Attributes

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Disposition Reason:

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TAGS: EFIN, AR

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